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2008 Lawrence County Trending Project

Activity Summary

General

Lawrence County is made up of 9 townships, including the two largest which are Marion and Shawswick. Like most of the state the residential real estate market slowed in most areas of the county during 2006 and continued to slow in 2007, however there is no overall decline in sale prices. Growth has been most evident in Marshall and Perry Townships where new development has been influenced by the close proximity to Bloomington.

The commercial sector has seen mixed results with some new development on the north side of Bedford near the new Wal-Mart shopping center. While growth has increased in this area, the addition of the new store has had an adverse effect near the location of the former store. Outside of the north side of Bedford there has been little new commercial activity other than scattered sites in Marion and Marshall Townships along Highway 37.

The Industrial sector has been relatively static. There has been relatively little new construction among the larger facilities in the county, with the exception of the stone mills. Some smaller shops have been added during the past few years. The two largest manufacturers in the county have been severely affected by the downturn in the economy. The General Motors Powertrain plant has been hurt by the lack of demand in the automotive sector, and the Ford Visteon Plant has shut its doors and laid off its entire workforce.

Commercial

In the cities of Bedford and Mitchell a large enough sample of improved commercial sales were available to develop a trending factor. Applying this trend factor to the improved parcels yielded an increase in almost all of the parcels. A majority of Commercial parcels in both of these taxing units were increased during the 2006 trending project. In all of the remaining taxing districts the number of improved sales was limited. In those districts a cost index derived from *Marshall and Swift* was loaded into the county's Proval software system and batch recalculations of commercial and industrial properties were carried out. This was done during both the 2007 and 2008 trending projects.

The cost index was developed from reviewing 4 different time-adjusted indexes in the *Marshall and Swift* manual. The index arrived at for the 2007 trending was 1.33 (133%). That

factor was changed to 1.39 (139%) for the 2008 project. After the commercial and industrial recalculation was carried out in 2007, new depreciation figures were applied using January 1, 2006 as the new effective date to determine depreciation instead of the prior January 1, 1999 date. For the 2008 project the effective age for depreciation was changed to January 1, 2007. Market data available was used to help determine obsolescence depreciation if needed.

As part of the review of commercial property, the county's appraisal vendor carried out field inspections and complete reassessments of 33% of the improved property in both Bedford and Mitchell during 2007, and an additional 33% of those parcels in 2008. During the 2006 trending project an additional 10% of the commercial and industrial parcels county-wide were completely reworked. Over a 4-year span over 80% of the improved commercial and industrial property has been reviewed in the field and reworked when needed.

Commercial Land

In order to supplement the county's data base for commercial land the land the county contracted with an appraisal firm from Bloomington, that is actively involved in appraising commercial properties in the greater Bloomington-Bedford area, to provide appraisal data on commercial land in Marion and Shawswick Townships. This data has been used to support and revise the land values established by the county. During each of the 2006, 2007 and 2008 trending projects commercial land has been raised significantly. During the current project the largest increases were made to those properties along the main traffic corridors including Highway 37, 16th Street in Bedford, and Mitchell Road in Bedford.

Residential

All sales disclosures for residential properties are initially verified and validated by the county assessor's office by phone contact with the parties involved in the sale. For those parcels where the sale price and assessed value differ by more than 20% a field inspection is carried out by the county's appraisal vendor. These inspections often result in finding renovated, omitted or removed improvements. Discussions with the owners onsite often yields new information about the financing or family relationships which do not always appear on the disclosures.

Sale prices throughout the county showed modest increases in 2006 and 2007. The number of foreclosures was much higher than in the past and created additional work during the verification process. Significant changes were made to the residential parcels during the 2006 trending project, but most of the changes for 2007 and 2008 were relatively modest.

Income Producing Properties

Lawrence County has a relatively large number of multi-family housing apartments.

Most of the multi-family developments are either low-income or elderly housing. These apartments include type 515 rural housing and section 42 tax credit apartments. The county has obtained income and expense data from the majority of those properties.

Almost all of the multi-family apartments were appealed during the 2002 reassessment and/or following the 2006 and 2007 trending projects. The process of comparing the capitalized net income to the assessed valuations has been an ongoing activity since the 2002 reval. The county has also gathered rental data from a significant number of residential rentals to develop GRM's and compared the GRM derived values against the current assessed values. The county has also obtained gross rent multipliers from area appraisers that are used in valuing rental property in the county.

Other Data Sources

The county has very actively utilized any data that can be obtained from MLS data. The Data is primarily on-line listing fact sheets as comparison of value and also to obtain construction data on both residential and commercial property. During the 2006, 2007, and 2008 trending projects approximately 700 parcels were adjusted as a result of information gathered from MLS data. The county uses this data in an ongoing basis and the data is not limited just to trending.

As part of the ongoing assessment process the county also has a tax attorney, Marilyn Meighn, on retainer. The county utilizes her services on various appeals each year, for questions relating to exemptions, and interpretation of Indiana Code and directives. She has also coordinated appraisers and expert witnesses for tax appeal hearings.

The Bloomington appraisal firm that has assisted the county with commercial land valuations has also assisted the county with a variety of other projects during the past few years including the appraisal of multiple apartment complexes throughout the county and a review of capitalized income and expense data. The same firm is also assisting the county with a review of rental data on Bedford's shopping center. The county also retains the services of an Evansville appraisal group with assistance on larger industrial facilities.

Neighborhood Revisions

During the 2008 trending project an extensive review of neighborhoods was conducted. As part

of that review various subdivisions within the Bedford city limits were removed from one neighborhood and placed in more appropriate surrounding neighborhoods. While the placement of these subdivisions in their respective neighborhoods seemed appropriate during the 2002 revaluation, sales over subsequent years indicated they should be moved to neighborhoods with different multipliers to bring their assessed values more in line with the market.

Also, during the review, various small neighborhoods were made inactive and the parcels within those neighborhoods added to adjacent areas with very similar characteristics. Below is a listing of neighborhood combinations:

Bedford #1109 added to 1106; #1123 and 1124 added to #1117, #1108 added to 1103, (1109, 1123, 1124, 1108 now inactive);

Pleasant Run #9704 added to #9705;

Oolitic #1301, 1303, 1304 all added to #1302, #1310 and 1313 added to #1311, #1307 added to #1306;

Perry #9610, 9611, 9612 and 9614 all added to #9613, #9617 added to #9616

While the above neighborhoods were combined because those areas were "over stratified" a few additional neighborhoods were created to address the problem of having commercial and industrial parcels included in the same neighborhood as residential and ag parcels. The commercial and industrial parcels of Marion Township were split from neigh #9401 and added to a new neighborhood #9405.